

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re:

SEARS HOLDINGS CORPORATION, et al

,¹

Debtors.

Chapter 11

Case No. 18-23538 (RDD)
(Jointly Administered)

Re: Docket No. 1730, 2069 and 2093

DECLARATION OF PERRY SCHONFELD SUPPORTING OBJECTION
OF LANDLORDS AFFILIATED WITH LBA REALTY LLC TO
DEBTORS' NOTICES OF CURE COSTS AND POTENTIAL
ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS
AND UNEXPIRED LEASES IN CONNECTION WITH GLOBAL SALE
TRANSACTION

I, PERRY SCHONFELD, declare:

1. I am a principal and Chief Operating Officer ("COO") of LBA Realty LLC ("LBA"). LBA is a full service real estate investment and management company with a diverse portfolio of office and industrial properties in major markets throughout the United States. As a principal and COO of LBA, I am responsible for LBA's operations, assets, and property

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); SHC Licensed Business LLC (3718); and SHC Promotions LLC (9626). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

management services.

2. The following landlords (collectively, the "LBA Landlords"), pursuant to written leases (each, a "Lease," and, collectively, the "Leases"), are lessors of the Debtors distribution center/warehouses for the locations listed below:

| <u>Debtors' Store #</u> | <u>Landlord</u> | <u>Location</u> |
|-------------------------|---|--|
| 425 | 1 Imeson Park Blvd, LLC | 1 Imeson Park Boulevard Jacksonville, Florida |
| 443 | 1055 Hanover, LLC | 1055 Hanover Street Wilkes Barre, Pennsylvania ² |
| 8720 | 2065 George Street, LLC | 2065 George Street Melrose Park, Illinois |
| 8748 | 500 Warner Avenue, LLC and 960 Sherman Street, LLC | 960 Sherman Street San Diego, California |
| 8870 | 1600 Roe Street, LLC | 1600 Roe Street Dallas, Texas |
| 8808 | 500 Warner Avenue, LLC and 960 Sherman Street, LLC | 500 West Warner Avenue Santa Ana, California |
| 8825 | 3825 Forsyth, LLC | 3825 Forsyth Road Winter Park, Florida |

3. LBA is affiliated with each of the LBA Landlords and as a principal and COO of LBA, I am one of the persons at LBA responsible for operations and management of each of the properties owned by the LBA Landlords that are subject to the Leases. I have been with LBA since 1997. Before joining LBA, I was an associate director with Cushman & Wakefield. I have over 30 years of experience in the real estate industry.

² In the Cure Notice, the Debtors incorrectly state that Robert K. Mericle is the landlord of this site.

4. This declaration is submitted in support of the Objection of Landlords Affiliated with LBA Realty LLC to Debtors' Notices of Cure Costs and Potential Assumption and Assignment of Executory Contracts and Unexpired Leases in Connection With Global Sale Transaction in these Chapter 11 cases with respect to the proposed "Global Asset Sale Transaction" between Sears Holdings Corporation and affiliates and Transform Holdco LLC ("Buyer"), an affiliate of ESL Investments, Inc.

5. As a consequence of my position, I am one of the custodians of records of the LBA Landlords as those books, records, and files relate to the use and occupancy each of the premises subject to the Leases. I am personally familiar with each of the underlying Leases. As part of LBA's duties, LBA has visited each of the underlying premises. If called upon to testify in this proceeding, as to the matters set forth in this declaration, I could and would competently testify thereto, since the facts set forth herein are personally known to me to be true.

6. In connection with each of the Leases, the applicable Debtor tenant prepaid certain base rent in advance for certain base rent that would come due under the Leases (the "Prepaid Rent"). The aggregate Prepaid Rent for each Lease varied in amount (between 7 months to 18 months of base rent). In each instance, the Prepaid Rent was required by LBA as a result of the Debtors' financial condition at the time the Leases were entered into.

7. Attached hereto as Exhibit "1" is a chart that shows, among other things, the original amount of Prepaid Rent that the applicable Debtors paid with respect to each of the Leases. As set forth in the chart, the Prepaid Rent for the Warner Avenue, Sherman Street, and the Dallas leases has been applied in full and no Prepaid Rent remains for such leases. The amount of Prepaid Rent remaining as of January 31, 2019, as to the other leases is reflected in Exhibit "1".

8. Where rent has been prepaid for any month following the petition date, the Debtors have not paid the applicable LBA Landlord the monthly base rent due for such month. Rather, following their bankruptcy filing, the Debtors asserted that the base rent for the applicable month was satisfied by the Prepaid Rent. As a result, for each month following the petition date, the amount of Prepaid Rent has been reduced in accordance with the schedule for Prepaid Rent in the applicable lease. Exhibit "1" shows the status of Prepaid Rent as of January 31, 2019. The amount of Prepaid Rent remaining will continue to reduce as additional months elapse postpetition without any payment of applicable base rent.

9. In addition to monthly base rent due under the Leases, the Debtors are also responsible to pay additional rent for certain expenses such as insurance and taxes. In addition to showing the status of Prepaid Rent, Exhibit "1" also shows the total amount of additional rent and charges due and owing for each of the Leases as of January 31, 2019. Notably, prepaid rent is only applied to certain monthly base rent and the Debtors must pay any additional rent when such amounts become due.

10. The Debtors are also responsible for obtaining insurance coverage that complies with terms of the Leases. At present, the Debtors insurance appears to be non-complaint as the Debtors have not provided each of the LBA Landlord's with certificates demonstrating that they have commercial general liability insurance with at least at a \$15,000,000 limit per occurrence as required by the Leases.

11. In addition, in accordance with Section 8(c) of the Lease for the Winter Park premises, the Winter Park debtor tenant is required to repair certain damage caused by Hurricane Irma at an estimated cost of \$1,400,000 (the "Hurricane Work Amount"). I am informed and understand that approximately 10% of the underlying work related to the roof and 100% of the

work related to the awning remains to be performed. Subject to the terms of Section 8(c) of the Winter Park lease, following substantial completion of all the underlying hurricane work, the Winter Park Debtor tenant has a right to reimbursement for the Hurricane Work Amount subject to such tenant's full compliance with the terms of the Winter Park Lease related such reimbursement.

12. In the ordinary course of its business, LBA and its affiliates, including the LBA Landlords, require credit enhancements, in the form of security deposits, letters of credit and third party guaranties when leasing (or assessing a proposed assignment of a lease) to certain companies based on their financial information and history. In the case of a new company, particularly a recently-capitalized "newco" created for the purpose of acquiring distressed assets, LBA will typically require security in the form of cash deposits or letters of credit covering monetary obligations under assigned leases for several months' rent charges, potentially increasing (up to one year or more) depending on the financial information provided by the proposed tenant/assignee. Alternatively, or in combination with such deposits, when a parent holding company forms a new entity without an operating history that seeks an initial lease from an LBA affiliated landlord, the landlord would typically seek a continuing guaranty of lease obligations from a parent company with sufficient assets to meet those guaranty obligations.

13. For example, as discussed above, because of the Debtors' financial condition at the time each of the Leases were executed, each of the LBA Landlords required that the applicable Debtor prepay a certain amount of Prepaid Rent.

14. I have received and reviewed a 4-page letter from Buyer, with attachment, dated January 24, 2019, purporting to provide, on a "confidential and proprietary" basis, evidence of adequate assurance of future performance required by the Bankruptcy Code in connection with

Buyer's proposed acquisition of substantially all of the Debtors' assets and the prospective assignment of leases, including the Leases. Buyer's short narrative and limited projections are not sufficient financial support for LBA to agree to forego the requirement of credit enhancements. Buyer has not provided any information comparing its projected financial condition to that of the applicable the Debtor tenant at any time period, including at the time the Leases were entered into.

15. Based on the foregoing, if the applicable LBA Landlords were presented with an initial proposal by an entity similar to Buyer to lease each of the underlying premises, each LBA Landlord would require a credit enhancement consisting of some combination of prepaid rent, letter of credits, or security deposits that is a least equivalent to the Prepaid Rent originally paid as part of each Lease other than the Warner Avenue and Sherman Street Leases which are scheduled to expire according to their terms on June 27, 2019. As noted in Exhibit 1", the Prepaid Rent has either been partially or totally applied for each Lease. As a result, LBA would require a tenant similar to Buyer to restore all Prepaid Rent to its original amount (or provide similar security) set forth in each Lease other than Warner Avenue or Sherman Street.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed this 31st day of January, 2019, at Irvine, California.


PERRY SCHONFELD

SEARS ACCOUNTS RECEIVABLES SUMMARY

| 3825 FORSYTH ROAD SEARS HOLDING CORPORATION WINTER PARK, FL | | | | ESCROW PREPAID RENT | NET BALANCE | ESCROW PREPAID REMAINING MONTHS | TENANT RESPONSIBILITIES | LANDLORD RESPONSIBILITIES | PROPERTY TAXES |
|--|-----------|-----------------------|--|------------------------|--------------|------------------------------------|--|---------------------------|--|
| Outstanding Charges | | Original Prepaid Rent | | (524,876.76) | | MARCH 2019 -FEBRUARY 2020 | Sears has 9 months to complete Hurricane Repair Work (\$1.4M) from 8/24/18 (closing date) and 150 days from COE to close out permits that were open at the time of close Non-compliant: \$15 million General Liability/Umbrella Insurance certificate | | Paid by LBA and billed as monthly estimates. Assessor - Orange County Parcels - 1 Tax Year - Calendar year Taxes Due - Discounted if paid 11/30 of current year. Full payment if paid 3/31 of following year 2018 Tax Bill - \$158,470.44 paid 11/2018 2019 Tax Bill - not yet available. Estimated taxes are \$219,053.76 |
| 1/1/2019 CAM REGULAR | 22,464.00 | | | | | | | | |
| 1/1/2019 FL SALES&USE TAX | 2,671.79 | | | | | | | | |
| 1/1/2019 FL SALES&USE TAX | 1,392.77 | | | | | | | | |
| 1/1/2019 FL SALES&USE TAX | 86.86 | | | | | | | | |
| 1/1/2019 FL SALES&USE TAX | 801.29 | | | | | | | | |
| 1/1/2019 INSURANCE | 1,401.00 | | | | | | | | |
| 1/1/2019 BASE RENT | 19,939.63 | | | | | | | | |
| 1/1/2019 TAXES | 12,924.00 | | | | | | | | |
| 1/31/2019 FL SALES&USE TAX | 2,879.92 | | | | | | | | |
| 1/31/2019 CAM RECONCILIATION | 46,450.38 | | | | | | | | |
| Total Outstanding Charges: | | 111,011.64 | | (524,876.76) | (413,865.12) | | | | |

| 2065 GEORGE STREET SEARS HOLDING CORPORATION MELROSE PARK, IL | | | | ESCROW PREPAID RENT | NET BALANCE | ESCROW PREPAID REMAINING MONTHS | TENANT RESPONSIBILITIES | LANDLORD RESPONSIBILITIES | PROPERTY TAXES |
|--|--------------|-------------------------------|-----------|------------------------|--------------|------------------------------------|--|---------------------------|---|
| Outstanding Charges | | Original Prepaid Rent | | (795,736.92) | | FEBRUARY 2019 - JUNE 2020 | Non-compliant: \$15 million General Liability/Umbrella Insurance certificate | | Paid by LBA and billed as monthly estimates. Assessor - Leyden (Cook) Township Parcels - 6 Tax Year - Calendar Year Taxes Due - 2 installments due 3/1 & 8/1 of following year 2017 Tax Bill - \$1,401,521.54 - 1st installment paid by Sears in 2/2018 and 2nd installment paid by LBA 7/2018 2018 Tax Bill - 1st Installment total bills are \$770,836.85 and due 3/1/19. |
| 6/27/2018 UNAPPLIED PAYMENT | (140,329.82) | Applied to November 2018 Rent | 65,331.44 | | | | | | |
| 7/30/2018 UNAPPLIED PAYMENT | (38,054.02) | Applied to December 2018 Rent | 65,331.44 | | | | | | |
| 11/7/2018 UNAPPLIED PAYMENT | (2,559.92) | Applied to January 2019 Rent | 65,331.44 | | | | | | |
| 1/4/2019 UNAPPLIED PAYMENT | (11,861.07) | | | | | | | | |
| 1/7/2019 UNAPPLIED PAYMENT | (841.92) | | | | | | | | |
| 1/31/2019 CAM RECONCILIATION | 34,775.98 | | | | | | | | |
| Total Outstanding Charges: | | (158,870.77) | | (599,742.60) | (758,613.37) | | | | |

| 1055 HANOVER STREET SEARS HOLDING CORPORATION WILKES BARRE, PA | | | | ESCROW PREPAID RENT | NET BALANCE | ESCROW PREPAID REMAINING MONTHS | TENANT RESPONSIBILITIES | LANDLORD RESPONSIBILITIES | PROPERTY TAXES |
|---|------------|-------------------------------|------------|------------------------|----------------|------------------------------------|--|---------------------------|---|
| Outstanding Charges | | Original Prepaid Rent | | (3,720,035.10) | | FEBRUARY 2019 - JUNE 2020 | Non-compliant: \$15 million General Liability/Umbrella Insurance certificate | | Paid by Sears directly Assessor - Luzerne City & Township, Sugar Notch School District, Warrior Run School District Parcels - 3 Tax Year - Luzerne is Calendar Year, School Districts are Fiscal Year Taxes Due - Luzerne - 1st installment - Discount if paid by 2/12/18, full payment if paid by 6/11/18 of current year & 2nd installment - Discount if paid 9/20/18, full payment if paid by 11/19/18 of current year. Schol Districts - Discount if paid by 9/20/18, full payment if paid by 11/19/18 of current year. Sugar Notch & Warrior Run School Districts - 1 payment discount if paid by 9/20/18, full payment if paid by 11/19/18 of current year 2018 Tax Bill - \$951,861.35, Luzerne City paid by Sears, Sugar Notch & Warrior Run School districts - paid by LBA. 7/1/18-12/31/18 reimbursement included in CAM Reconciliation and 1/1/19-6/30/19 included as separate reimbursement. 2019 Tax Bill - not yet available. Estimated taxes are \$1,055,712.75. |
| 5/1/2018 INSURANCE | 2,437.17 | Applied to November 2018 Rent | 305,421.60 | | | | | | |
| 6/1/2018 INSURANCE | 2,437.17 | Applied to December 2018 Rent | 305,421.60 | | | | | | |
| 7/1/2018 INSURANCE | 2,437.17 | Applied to January 2019 Rent | 305,421.60 | | | | | | |
| 8/1/2018 INSURANCE | 2,437.17 | | | | | | | | |
| 9/1/2018 INSURANCE | 2,437.17 | | | | | | | | |
| 10/1/2018 INSURANCE | 2,437.17 | | | | | | | | |
| 11/1/2018 INSURANCE | 2,437.17 | | | | | | | | |
| 12/1/2018 INSURANCE | 2,437.17 | | | | | | | | |
| 1/1/2019 CAM REGULAR | 8,748.00 | | | | | | | | |
| 1/1/2019 INSURANCE | 3,755.00 | | | | | | | | |
| 1/31/2019 CAM RECONCILIATION | 171,947.47 | | | | | | | | |
| 1/31/2019 1/19-6/19 TAX REIMBURSEMENT | 102,758.87 | | | | | | | | |
| Total Outstanding Charges: | | 306,706.70 | | (2,803,770.30) | (2,497,063.60) | | | | |

| 1 IMESON PARK BLVD SEARS HOLDING CORPORATION JACKSONVILLE, FL | | | | ESCROW PREPAID RENT | NET BALANCE | ESCROW PREPAID REMAINING MONTHS | TENANT RESPONSIBILITIES | LANDLORD RESPONSIBILITIES | PROPERTY TAXES |
|--|------------|-------------------------------|------------|------------------------|----------------|------------------------------------|--|---|--|
| Outstanding Charges | | Original Prepaid Rent | | (2,385,798.90) | | FEBRUARY 2019 - JUNE 2020 | Non-compliant: \$15 million General Liability/Umbrella Insurance certificate | Landlord is required to complete 3 Capital items within 12 months of close (4/5/18) including (1) Replacement of chiller (complete), (2) Replacement of fire sprinkler lines if necessary (not complete) and (3) Upgrading 2 ADA bathroom stalls (in process) | Paid by Sears directly Assessor - Duval County Parcels - 1 Tax Year - Calendar Year Taxes Due - Discounted if paid by 11/30/18 - 2/28/19, full payment if paid by 3/31/19 2018 Tax Bill - \$385,749.22 (discounted) paid by Sears on 11/28/18. 2019 Tax Bill - not yet available. Estimated taxes are \$407,573.03 (full value). |
| 1/1/2019 CAM REGULAR | 5,990.00 | Applied to November 2018 Rent | 195,878.40 | | | | | | |
| 1/1/2019 INSURANCE | 7,970.00 | Applied to December 2018 Rent | 195,878.40 | | | | | | |
| 1/7/2019 UNAPPLIED PAYMENT | (2,393.54) | Applied to January 2019 Rent | 195,878.40 | | | | | | |
| 1/31/2019 FL SALES&USE TAX | 4,850.26 | | | | | | | | |
| 1/31/2019 CAM RECONCILIATION | 72,391.93 | | | | | | | | |
| Total Outstanding Charges: | | 88,808.65 | | (1,798,163.70) | (1,709,355.05) | | | | |

| 1600 ROE STREET SEARS, ROEBUCK AND COMPANY | | ESCROW PREPAID | |
|--|--------------------------------|----------------|-------------|
| DALLAS, TX | | RENT | NET BALANCE |
| Outstanding Charges | Original Prepaid Rent | (2,311,396.50) | |
| | Applied to February 2018 Rent | 190,547.83 | |
| | Applied to March 2018 Rent | 190,547.83 | |
| | Applied to April 2018 Rent | 190,547.83 | |
| | Applied to May 2018 Rent | 190,547.83 | |
| | Applied to June 2018 Rent | 190,547.83 | |
| | Applied to July 2018 Rent | 190,547.83 | |
| | Applied to August 2018 Rent | 194,684.92 | |
| | Applied to September 2018 Rent | 194,684.92 | |
| | Applied to October 2018 Rent | 194,684.92 | |
| | Applied to November 2018 Rent | 194,684.92 | |
| | Applied to December 2018 Rent | 194,684.92 | |
| | Applied to January 2019 Rent | 194,684.92 | |
| | | | |
| 1/8/2019 UNAPPLIED PAYMENT | (5,033.62) | | |
| 1/31/2019 CAM RECONCILIATION | (19,440.51) | | |
| Total Outstanding Charges: | | 0.00 | (24,474.13) |

| 960 SHERMAN STREET SEARS, ROEBUCK AND COMPANY | | ESCROW PREPAID | |
|---|--------------------------------|----------------|-------------|
| SAN DIEGO, CA | | RENT | NET BALANCE |
| Outstanding Charges | Original Prepaid Rent | (704,838.48) | |
| | Applied to February 2018 Rent | 58,105.75 | |
| | Applied to March 2018 Rent | 58,105.75 | |
| | Applied to April 2018 Rent | 58,105.75 | |
| | Applied to May 2018 Rent | 58,105.75 | |
| | Applied to June 2018 Rent | 58,105.75 | |
| | Applied to July 2018 Rent | 58,105.75 | |
| | Applied to August 2018 Rent | 59,367.33 | |
| | Applied to September 2018 Rent | 59,367.33 | |
| | Applied to October 2018 Rent | 59,367.33 | |
| | Applied to November 2018 Rent | 59,367.33 | |
| | Applied to December 2018 Rent | 59,367.33 | |
| | Applied to January 2019 Rent | 59,367.33 | |
| | | | |
| 1/1/2019 CAM REGULAR | 2,014.04 | | |
| 1/31/2019 CAM RECONCILIATION | 35,559.36 | | |
| Total Outstanding Charges: | | 0.00 | 37,573.40 |

| 500 WEST WARNER AVE SEARS, ROEBUCK AND COMPANY | | ESCROW PREPAID | |
|--|--------------------------------|----------------|-------------|
| SANTA ANA, CA | | RENT | NET BALANCE |
| Outstanding Charges | Original Prepaid Rent | (1,277,018.46) | |
| | Applied to February 2018 Rent | 105,275.33 | |
| | Applied to March 2018 Rent | 105,275.33 | |
| | Applied to April 2018 Rent | 105,275.33 | |
| | Applied to May 2018 Rent | 105,275.33 | |
| | Applied to June 2018 Rent | 105,275.33 | |
| | Applied to July 2018 Rent | 105,275.33 | |
| | Applied to August 2018 Rent | 107,561.08 | |
| | Applied to September 2018 Rent | 107,561.08 | |
| | Applied to October 2018 Rent | 107,561.08 | |
| | Applied to November 2018 Rent | 107,561.08 | |
| | Applied to December 2018 Rent | 107,561.08 | |
| | Applied to January 2019 Rent | 107,561.08 | |
| | | | |
| 12/10/2018 UNAPPLIED PAYMENT | (7,065.04) | | |
| 1/3/2019 UNAPPLIED PAYMENT | (12,797.16) | | |
| 1/7/2019 UNAPPLIED PAYMENT | (7,176.55) | | |
| 1/31/2019 CAM RECONCILIATION | (1,387.88) | | |
| 1/31/2019 3/23/18-12/21/18 Utility Chargeback | 134,308.09 | | |
| Total Outstanding Charges: | | - | 105,881.46 |

| TENANT RESPONSIBILITIES | LANDLORD RESPONSIBILITIES | PROPERTY TAXES |
|-------------------------|---------------------------|----------------|
|-------------------------|---------------------------|----------------|

Paid by Sears directly
Assessor - Dallas County
Parcels - 12
Tax Year - Calendar Year
Taxes Due - 1/31 of following year
2018 Tax Bill - \$351,025.79. Confirming with Sears if they've paid
2019 Tax Bill - not yet available. Estimated taxes are \$351,025.79.

| TENANT RESPONSIBILITIES | LANDLORD RESPONSIBILITIES | PROPERTY TAXES |
|-------------------------|---------------------------|----------------|
|-------------------------|---------------------------|----------------|

Non-compliant: \$15 million General
Liability/Umbrella Insurance certificate

Paid by LBA and billed as monthly estimates.
Assessor - San Diego County
Parcels - 2
Tax Year - Fiscal Year
Taxes Due - 1st installment by 12/10 & 2nd installment by 4/10
2018/19 Tax Bill - \$279,764.18. 1st installment paid by LBA 12/2018.
2019/20 Tax Bill - not yet available. Estimated taxes are \$286,781.06.

| TENANT RESPONSIBILITIES | LANDLORD RESPONSIBILITIES | PROPERTY TAXES |
|-------------------------|---------------------------|----------------|
|-------------------------|---------------------------|----------------|

Non-compliant: \$15 million General
Liability/Umbrella Insurance certificate

Paid by LBA and billed as monthly estimates.
Assessor - Orange County
Parcels - 3
Tax Year - Fiscal Year
Taxes Due - 1st installment by 12/10 & 2nd installment by 4/10
2018/19 Tax Bill - \$467,137.00. 1st installment paid by LBA 12/2018.
2019/20 Tax Bill - not yet available. Estimated taxes are \$480,812.68.

CERTIFICATE OF SERVICE

The undersigned hereby certified that a true and correct copy of the foregoing instrument has been served via electronic mail and/or first class mail, postage pre-paid on this 31st day of January, 2019 upon the parties listed below and electronically via ECF notification upon all parties requesting service via ECF notification:

Sears Holdings Management Corporation
Attn: Rob Riecker (rob.riechker@searshc.com)
Attn: Luke Valentino (luke.valentino@searshc.com)
Attn: Mohsin Meghji (mmeghji@miiipartners.com)
Attn: General Counsel (counsel@searshc.com)
3333 Beverly Road
Hoffman Estates, IL 60179

Weil, Gotshal & Manges LLP
Attn: Ray C. Schrock (ray.schrock@weil.com)
Attn: Jacqueline Marcus (jacqueline.marcus@weil.com)
Attn: Garret A. Fail (garrett.fail@weil.com)
Attn: Sunny Singh (sunny.singh@weil.com)
767 Fifth Avenue
New York, NY 10153

Lazard Frères & Co., LLC
Attn: Brandon Aebersold and Levi Quaintance (project.blue.rx@lazard.com)
30 Rockefeller Plaza
New York, NY 10112

Bank of America, N.A.
c/o Skadden, Arps, Slate, Meagher & Flom LLP
Attn: Paul D. Leake (Paul.Leake@skadden.com)
Attn: Shana A. Elberg (Shana.Elberg@skadden.com)
Attn: George R. Howard (George.Howard@skadden.com)
4 Times Square
New York, NY 10036

Bank of America, N.A.
c/o Berkeley Research Group, LLC
2200 Powell Street, Suite 1200
Emeryville, CA 94608

Wells Fargo Bank, National Association
c/o Choate, Hall & Stewart LLP
Attn: Kevin J. Simard (ksimard@choate.com)
Attn: Jonathan D. Marshall (jmarshall@choate.com)
Two International Place
Boston, MA 02110

Akin Gump Strauss Hauer & Feld LLP
Attn: Philip C. Dublin (pdublin@akingump.com)
Attn: Ira S. Dizengoff (idizengoff@akingump.com)
Attn: Abid Qureshi (aqureshi@akingump.com)
Attn: Sara L. Brauner (sbrauner@akingump.com)
One Bryant Park
New York, NY 10036

Transform Holdco LLC
c/o ESL Partners, Inc.
Attn: Kunal S. Kamalani (kunal@eslinvest.com)
Attn: Harold Talisman (harold@eslinvest.com)
1170 Kane Concourse, Suite 200
Bay Harbor Islands, FL 33154

Cleary Gottlieb Steen & Hamilton LLP
Attn: Christopher E. Austin (caustin@cgsh.com)
Attn: Benet J. O'Reilly (boreilly@cgsh.com)
Attn: Sean A. O'Neal (soneal@cgsh.com)
One Liberty Plaza
New York, NY 10006

Office of the United States Trustee
Attn: Paul Schwartzberg
U.S. Federal Office Building
201 Varick Street, Room 1006
New York, NY 10014

/s/ Maeghan J. McLoughlin
Maeghan J. McLoughlin